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Bill no.:	H.L.C. <u>TITLE II</u> <u>SUBJECT</u>
Amendment no.:	<u>1C</u>
Filed:	<u>6/10/97</u>
Disposition:	<u>withdrawn</u>

**AMENDMENT OFFERED BY MR. STUPAK**  
**TO THE SUBSTITUTE OFFERED BY MR. BILIRAKIS**

At the end of subtitle F, add the following new  
chapter:

**1 CHAPTER 2—VOLUNTARY PURCHASING**  
**2 COOPERATIVES**

**3 SEC. 3511. PROGRAM ESTABLISHMENT; ALLOTMENTS; DEFINITION.**

**5 (a) PROGRAM ESTABLISHMENT.**—In order to promote the purpose of section 2101 of the Social Security Act, as added by section 3502 of this subtitle, the Secretary of Health and Human Services may establish a program of grants, in accordance with the provisions of this subtitle, designed to facilitate the development and establishment of single state-based purchasing cooperatives to afford greater access to and lower costs of health benefits for employment-related groups including from one to 50 employees.

**15 (b) ALLOTMENTS.**—

**16 (1) IN GENERAL.**—Entities in each State that have an applications approved under this chapter for a fiscal year are entitled to payment of a share of the the total amount available for allotments under this subsection for the fiscal year. For entities in a State, the share that they collectively have shall be

1 determined in accordance with a formula established  
2 by the Secretary for distribution of the total amount  
3 of the allotment among the States.

4 (2) TOTAL AMOUNT AVAILABLE.—The total  
5 amount of the allotments available under this sub-  
6 section for each of fiscal years 1998 through 2002  
7 is \$25,000,000. There are no allotments available  
8 for subsequent fiscal years.

9 (c) DEFINITION.—For purposes of this chapter, the  
10 term "State" means the fifty States, the District of Co-  
11 lumbia, and the Commonwealth of Puerto Rico.

12 **SEC. 3512. GRANT APPLICATIONS.**

13 An entity seeking a grant to conduct a project under  
14 this chapter in a State shall (except as provided in section  
15 3515)—

16 (1) be (A) a State agency, (B) a non-profit co-  
17 operative organization, or (C) a for-profit coopera-  
18 tive organization whose profits are shared on a pro-  
19 rata basis among cooperative members;

20 (2) submit an application containing the infor-  
21 mation and assurances that the Secretary may re-  
22 quire (including evidence of compliance with applica-  
23 ble requirements the Secretary establishes pursuant  
24 to section 3513); and

## 3

1           (3) furnish documentation of a determination  
2           by the governor of the State that the proposed  
3           project is in the best interests of the State.

4   **SEC. 3513. ELIGIBILITY CRITERIA FOR COOPERATIVES.**

5           The Secretary may establish eligibility criteria for co-  
6           operatives for grants under this chapter, including criteria  
7           designed to ensure that—

8           (1) cooperative members are free from conflicts  
9           of interest related to their participation in the coop-  
10          erative;

11          (2) the cooperative bears no insurance risk;

12          (3) small employers in the geographic area  
13          served by the cooperative are eligible to participate  
14          on a first-come, first-served basis;

15          (4) the cooperative does not take into consider-  
16          ation the health status of members when selecting  
17          participating small employers or developing member-  
18          ship criteria;

19          (5) the cooperative offers multiple, competing  
20          health insurance plans, including, at the option of  
21          the cooperative, individual health insurance plans;

22          (6) operating costs of the cooperative are based  
23          on reasonable assessments of members;

1 (7) the cooperative will be financially viable  
2 during the grant period and is capable of becoming  
3 self-sustaining thereafter; and

4 (8) other criteria that the Secretary considers  
5 appropriate.

6 **SEC. 3514. FEHB ALTERNATIVE.**

7 (a) **GOVERNORS' OPTION.**—As an alternative to ap-  
8 proving a grant application under section 3512, the gov-  
9 ernor of a State may request (with respect to the entire  
10 State or to a geographic region of the State) that the Sec-  
11 retary establish a cooperative in coordination with the  
12 Federal Employees— Health Benefit Program (FEHB).  
13 Such a cooperative shall be a separately-rated group dis-  
14 tinct from any group of Federal employees.

15 (b) **OPERATION OF ALTERNATIVE PROGRAM.**—The  
16 Secretary, to the extent the Secretary considers appro-  
17 priate, upon a request pursuant to subsection (a) and with  
18 the concurrence of the Director of the Office of Personnel  
19 Management (referred to in this chapter as the “Direc-  
20 tor”), may use funds available under this chapter to estab-  
21 lish a cooperative in accordance with the provisions of this  
22 chapter in coordination with the FEHB program.

23 (c) **POWERS OF FEHB COOPERATIVE.**—A coopera-  
24 tive established pursuant to this section may—

1 (1) use the name of the FEHB plan in market-  
2 ing;

3 (2) require FEHB health plan providers that  
4 sell health benefit coverage to purchasers in the pri-  
5 vate sector to offer appropriate health benefit cov-  
6 erage to the small group market, at prices nego-  
7 tiated with the cooperative;

8 (3) request that the Director terminate the par-  
9 ticipation of a provider in the FEHB program for  
10 failure to comply with requirements imposed pursu-  
11 ant to paragraph (2) (and the Director may consider  
12 such a failure sufficient grounds for termination);  
13 and

14 (4) negotiate with health insurance providers  
15 not participating in the FEHB program for provi-  
16 sion of health benefit coverage to the small group  
17 market.

18 (d) RESTRICTION ON HANDLING PREMIUMS.—A co-  
19 operative established under this section shall not collect  
20 or disburse health insurance premiums.

21 **SEC. 3515. LIMITED PREEMPTION OF CERTAIN STATE**  
22 **LAWS.**

23 (a) LAWS AFFECTING COMBINATIONS OF GROUPS  
24 SEEKING TO PURCHASE HEALTH INSURANCE.—Any  
25 State law that sets restrictions on combinations of groups

1 for the purpose of purchasing health insurance, or pro-  
2 hibits groups from combining for that purpose, is pre-  
3 empted with respect to a cooperative that meets the re-  
4 quirements of this chapter.

5 (b) **LAWS AFFECTING PREMIUM RATES.**—A State  
6 law that imposes premium rate requirements is preempted  
7 to the extent that it would prohibit a health plan issuer  
8 from offering to a cooperative lower rates reflecting the  
9 issuer's administrative cost savings resulting from the size  
10 of the cooperative.

11 **SEC. 3516. DURATION OF PROJECTS; USE OF GRANT FUNDS.**

12 (a) **DURATION.**—The period of a grant project fund-  
13 ed under this chapter shall not exceed 30 months.

14 (b) **USE OF GRANT FUNDS.**—Funds made available  
15 for a grant under this chapter may be used for costs of  
16 development, technical assistance, and capitalization, but  
17 shall not be used for operating costs after the first six  
18 months of operation.

19 **SEC. 3517. EFFECTIVE DATES.**

20 This chapter takes effect on the date of enactment  
21 except for section 3514, which takes effect on the first  
22 day of the first calendar year that begins more than one  
23 year after the date of enactment.